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# Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 AGRE-00 AID-05 CIAE-00 EB-08 FRB-03
INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03
SP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-06
CEA-01 L-03 H-01 PA-01 PRS-01 /088 W
----------115302 241041Z /15
R 231505Z JAN 78
FM AMEMBASSY PRAGUE
TO SECSTATE WASHDC 4554
INFO AMCONSUL MUNICH
AMEMBASSY BELGRADE
AMEMBASSY BERLIN
AMEMBASSY BUCHAREST
AMEMBASSY BUDAPEST
AMEMBASSY MOSCOW
AMEMBASSY SOFIA
AMEMBASSY VIENNA
USMISSION USNATO
USDOC WASHDC
AMEMBASSY WARSAW

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E.O. 11652: NA
TAGS: EALR, EFIN, EGEN, CZ
SUBJECT: RUDE PRAVO RIDICULES CURRENCY REFORM RUMORS

1. ALWAYS ACTIVE PRAGUE RUMOR MILL HAS LATELY BEEN HUMMING WITH PREDICTIONS OF A PENDING "CURRENCY REFORM," EVOKING STARK MEMORIES OF THE DRASTIC 1953 MEASURES THAT WIPED OUT CONSIDERABLE PERSONAL SAVINGS AND PENALIZED CONSUMERS IN ORDER TO DIVERT MORE INVESTMENT TO HEAVY INDUSTRY. THIS RUMOR UNDOUBTEDLY HAS BEEN FED BY FEARS OF RETAIL PRICE RISES, PERSISTENT SHORTAGES OF VARIOUS CONSUMER GOODS (E.G., SPICES, COCOA AND OTHER FOOD ITEMS), ENERGY WORRIES AND OTHER FAMILIAR SYMPTOMS OF CSSR'S
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ECONOMIC MALIASE.

2. IN AN ATYPICALLY WITTY JAN 20 ITEM HEADLINED "TEN HELLER STIR," NORMALLY STOLID RUDE PRAVO SEEKS TO LAY RUMOR TO REST WITH RIDUCLE RATHER THAN RHETORIC. ARTICLE ATTIBUTES RUMOR TO CHAPLINESQUE "FANTASY" INFERRED BY "SOME GOOD MAN" THAT WITHDRAWAL FROM CIRCULATIO
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OF LOWLY BUT OUTSIZED 10-HELLER COINS (WORTH ABOUT ONE US CENT AT DIPLOMATIC, OR TWO CENTS AT OFFICIAL EXCHANGE RATE) WAS HARBINGER OF A MASSIVE REFORM. COINS ARE BEING RETIRED SO THAT HENCEFORTH CSSR COINS WILL INCREASE IN BOTH SIZE AND VALUE FOR EASIER IDENTIFICATION.
HINTING THAT GRESHAM'S LAW APPLIES EVEN IN "SOCIALIST"CZECHOSLOVAKIA, ARTICLE ALSO NOTES THAT LESS USEFUL COINS HAD EARLIER DRIVEN NOW WITHDRAWN THREECROWN PIECES INTO PRIVATE HOARDS BECAUSE LATTER FITTED FOREIGN SLOT MACHINES. ARTICLE SCOFFS AT THE POSSIBILITY OF A FULL-SCALE REFORM, PARTICULARLY ONE WHICH WOULD COINCIDE WITH THE UPCOMING CELEBRATION OF FEBRUARY 1948 COMMUNIST TAKE-OVER, AND SAYS SUCH AN IDEA IS SO PREPOSTEROUS THAT "EVEN CIA MEN MUST BLUSH IN EMBARRASSMENT" FOR HAVING FAILED TO SUGGEST IT. ARTICLE ENDS BY RIDICULING THOSE PEOPLE WHO HAVE BEEN TAKEN IN BY THE FANTASY AND RUSHED TO BUY UP GOODS AS A MEANS OF BEATHING THE RUMORED REFORM.

3. COMMENT: GOC OFFICIALS HAVE LONG BEEN BUSY DENYING RUMORS THAT PRICES OF GASOLINE, FOOD AND OTHER ITEMS WILL SOON BE RAISED AND INSISTING THAT POLICY OF "STABLE" RETAIL PRICES WILL BE MAINTAINED. (AGMIN NAGR MADE THIS POINT PRIVATELY TO AMBASSADOR ON JAN 18, ALTHOUGH HE SAID PRICE HIKES FOR COFFEE, COCOA AND OTHER IMPORTED ITEMS LAST JULY WERE A DIFFERENT MATTER. NAGR ALSO DIS NOT CLAIM STABLE PRICE POLICY WOULD BE CONTINUED INDEFINITELY.
SEE SEPTEL.) RUDE PRAVO'S EFFORT TO DISPELL CURRENCY REFORM RUMOR IS PLAUSIBLE MAINLY BECAUSE CURRENT ECONOMIC DIFFICULTIES
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DO NOT SEEM SEVERE ENOUGH TO WARRANT SUCH A DRASTIC, UNPOPULAR AND POTENTIALLY DESTABILIZING MOVE. PLAUSIBILITY IS FURTHER REINFORCED BECAUSE OF LIGHT-HEARTED WAY RUDE PRAVO HAS HANDLED THE MATTER. WE CANNOT, HOWVER, CATEGORICALLY RULE OUT SUCH A REFORM, ESPECIALLY AFTER THIRTIETH ANNIVERSARY OF "VICTORIOUS FEBRUARY" IS OVER, AND WILL CONTINUE TO WATCH SITUATION. MEANWHILE, WE WONDER WHETHER THESE RUMORS MIGHT BE DELIBERATELY SPAWNED TO TRIGGER A BUYING WAVE AIMED AT DRAWING OUT OF PRIVATE SAVINGS TO STIMULATE A STAGNATING ECONOMY.
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**Disposition Case Number:** n/a
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